

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF SALT RIVER)
RURAL ELECTRIC COOPERATIVE)
CORPORATION FOR AN ORDER)
AUTHORIZING SAID CORPORATION)
TO BORROW TWO MILLION THREE)
HUNDRED FORTY-SEVEN THOUSAND)
DOLLARS (\$2,347,000) FROM THE)
UNITED STATES OF AMERICA AND)
TO EXECUTE A NOTE FOR SAID)
SUM TO THE UNITED STATES OF)
AMERICA, AND TO BORROW ONE)
MILLION SIX THOUSAND DOLLARS)
(\$1,006,000) FROM THE)
LOUISVILLE BANK FOR COOPERA-)
TIVES AND TO EXECUTE A NOTE)
FOR SAID SUM TO THE)
LOUISVILLE BANK FOR COOPERA-)
TIVES, SAID NOTES TO BE)
ISSUED UNDER AND SECURED BY)
A MORTGAGE TO BE EXECUTED BY)
THE CORPORATION AND DELIVERED)
TO THE UNITED STATES OF)
AMERICA AND THE LOUISVILLE)
BANK FOR COOPERATIVES, THE)
PROCEEDS TO BE USED IN THE)
BUILDING AND ERECTING OF)
SIXTY-SEVEN AND ONE AND ONE-)
HALF TENTHS (67.15) MILES)
OF DISTRIBUTION LINES IN)
BULLITT, MARION, NELSON,)
SPENCER AND WASHINGTON)
COUNTIES IN KENTUCKY AND)
ADDITIONAL HEADQUARTERS)
FACILITIES IN NELSON AND)
BULLITT COUNTIES IN KENTUCKY)

CASE NO. 8686

O R D E R

Salt River Rural Electric Cooperative Corporation
("Salt River") filed its application on October 21, 1967, for a
certificate of convenience and necessity and for authorization

to borrow \$2,347,000 from the United States of America Rural Electrification Administration ("REA") and \$1,000,000 from the Louisville Bank for Cooperatives, and to execute its notes as security therefor. The funds acquired by these borrowings are to be used to make system improvements and to extend service to new customers. These improvements and additions, which are estimated to cost \$4,555,055, are more specifically described in the application and record. The additional funds exceeding the amount to be borrowed will come from internal sources.

The Commission, by Order dated November 15, 1982, requested additional financial and construction information. Salt River filed the additional information pertaining to construction on December 17, 1982, but declined to furnish the additional information pertaining to financial matters, citing a recent decision of the Franklin Circuit Court regarding "loan applications jurisdiction." However, the case cited by Salt River refers only to REA loans. Accordingly, the Commission on April 14, 1983, requested information regarding the Louisville Bank for Cooperatives' portion of the proposed borrowing. This information was received April 27, 1983.

The Public Service Commission, after consideration of the application and all evidence of record and being advised, is of the opinion and finds that:

1. The Order issued by the Franklin Circuit Court on November 12, 1982, in Case No. 80-CI-1747, West Kentucky Rural Electric Cooperative Corporation v. Energy Regulatory Commission, precludes the Commission from assuming jurisdiction

over the borrowings by Salt River from REA pursuant to the provisions of KRS 278.300(10). However, the Commission continues to have jurisdiction over all financing by utilities from lenders other than REA.

2. Approximately 50 percent of Salt River's members are located in Bullitt County, and the present leased warehouse space there only affords space for nine linemen who serve the Bullitt County Area. The addition of a branch office and additional warehouse facilities in Bullitt County will greatly benefit the customers in the area and will materially contribute to the furnishing of convenient and reliable service.

3. The present warehouse facility located adjacent to the Bardstown headquarters office is small and overcrowded. A vehicle maintenance area is needed to eliminate contracting vehicle maintenance to outside garages. Land for expansion at this location is not available but space is owned and available at an existing pole yard area about one mile from Bardstown.

4. The construction of new lines and improvements to existing lines and facilities will enable Salt River to serve approximately 2,400 new customers within the next 2 years and to eliminate the overloading of existing facilities so as to better serve existing customers.

5. Public convenience and necessity require that such construction as is proposed in the application and record be performed and a certificate of convenience and necessity should be granted.

6. The proposed borrowing is for lawful objects within the corporate purposes of Salt River, is necessary and appropriate for and consistent with the proper performance by Salt River of its service to the public, and will not impair its ability to perform that service.

IT IS THEREFORE ORDERED that Salt River be and it hereby is granted a certificate of convenience and necessity to proceed with the construction as set forth in the application and record.

IT IS FURTHER ORDERED that Salt River be and it hereby is authorized to borrow \$1,006,000 from the Louisville Bank for Cooperatives at an initial interest rate of approximately 11.9 percent per annum, with the rate to be variable thereafter, over a total period of 20 years.

IT IS FURTHER ORDERED that Salt River be and it hereby is authorized to execute its notes as security for the loan authorized herein.

IT IS FURTHER ORDERED that the proceeds from the proposed borrowing shall be used only for the lawful purposes set out in the application and record.

Nothing herein contained shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 6th day of May, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary